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Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

December 1969

SPECIAL REPORT

WHAT HAPPENS WHEN...

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WHAT HAPPENS WHEN...

. . . a supercenter moves to town? Washington, Mo. (population 12,000) and Kankakee, Ill. (population 54,000) have learned that big, grocery-and-general-merchandise combo stores don't always spell disaster for local retailers. In March 1988 Wal-Mart opened a 126,000-sq.-ft. Wal-Mart Supercenter 70 miles southwest of St. Louis in tiny Washington. Twenty miles south of Chicago, K mart debuted its first Super K mart in Kankakee in April 1989. A special 14-page report explores this modern tale of two cities, examining what happens to local merchants when big stores move into small markets. 23

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LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
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Cable Address: LEBHAFRIED
Panafax: 212 838-9487

Publisher JOHN RAPUZZI
Editor/Associate Publisher MURRAY FORSETER

Executive Editor Rick Gallagher
Managing Editor Mary Alice Elmer
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Real Estate Advertising Sales Managers Risa L. Serin, Roni Iszak
SPECS/New Store of the Year Coordinator Barbara Hagan

Sr. VP/Group Publisher James T. deGraffenreid

Founder (1900-1981) Arnold D. Friedman

President J. Roger Friedman
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REGIONAL OFFICES

Boston 1 Gateway Center, Newton, MA 02158, 617-527-6394
Regional Manager James H. Maher

Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420
Office Manager Martha MacVean

Chicago, 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688
District Manager William Epmeier
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Regional Manager John Donoghue

San Francisco 400 Montgomery St., San Francisco, CA 94104, 415-362-2575
Regional Manager Dick Harrigan

Japan, Diamond-Friedman Ltd., Chain Store Age News Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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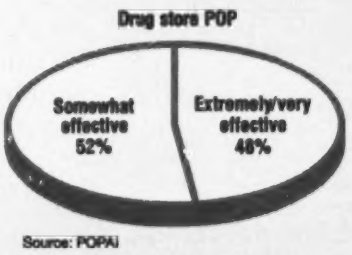
THE EXODUS CONTINUES

Add David Dworkin to the list of executives leaving LJ Hooker and its holdings. The list should get longer in the weeks ahead. The president and ceo of Hooker's Bonwit Teller division left the firm in early November after his contract was rejected in bankruptcy court on Oct. 30. Hooker has obtained a court order permitting it to reject contracts with 16 other top executives, to discharge 25 lower-level executives and to negotiate new employment agreements. Dworkin left to become chairman and ceo of British Home Stores, a 134-branch department store based in London. He joined Bonwit's in March 1988, and had 3½ years left on his contract. His attempt to buy out Hooker was rejected earlier this year.

POP QUIZ



Source: POPAI

Almost all retailers use point-of-purchase advertising, but how effective is it in boosting sales? Here's what a survey of retail executives by the Point of Purchase Advertising Institute (POPAI) says: Most enthusiastic are drug store executives, 48% of whom say POP is "extremely" or "very" effective. Only 20% of discount store executives agree. Fifty-six percent of drug store executives say POP displays carry too much product, while 60% of discount store executives say displays carry the right amount. Product samples were rated the most effective form of POP by drug store executives. Discount store executives rated fixtures most effective; at convenience stores it was shelf-talkers. Electronic interactive displays were rated most favorably by drug store executives, least favorably by C-stores.

HO-HUM HOLIDAY

Retailers can expect a less-than-merry Christmas this year. So says Walter Loeb, senior retail analyst with Morgan Stanley. Loeb predicts a late and heavy promotional Christmas for the nation's retailers, with sales up only 4.5% over last year. Heavy mark-downs will keep profits down. "Very few retailers will hold merchandise at regular prices till after Christmas," Loeb says. "Dillard's will be one of the few exceptions to this trend." The analyst predicts a slow spring with a strong turnaround in the second half of 1990.

TRIMMING DOWN

No matter who is left standing after the department store industry shake-out, expect the survivors to continue with much smaller staffs. "Costs are going to have to be reduced across the board. In fact, the way most retailers do business must change," says Joseph Carideo, senior retail partner at Thorndike Deland Associates, a New York City-based executive search firm. Noting the layoffs at Federated and Associated, he says cuts of between 20% and 40% would not affect image or customer service.

TOYS 'R' US GOES ABROAD

The New Year promises to be a busy one for Toys "R" Us. On the domestic scene, the chain plans to open 45-50 new stores. "Toys" will also be busy on the international front, opening up 25 new stores in Europe in 1990. The company has no plans to roll out its Kids "R" Us apparel division overseas. "Toys are international, clothing is not," chairman Charles Lazarus explains. And in a patriotic side note: Lazarus says that in Europe, shoppers refer to the company as Toys "R" U.S.

HYPERMARKETS RELY ON PRICE, SELECTION

CROSSOVER FOOD, GENERAL MERCHANDISE PURCHASES ARE LIMITED

Huge stores the size of several football fields selling groceries and general merchandise under one roof are not new. Meijer's Thrifty Acres in Michigan and Fred Meyer in the Pacific Northwest have been successfully practicing this concept for years before hypermarkets and supercenters became all the rage during the last three years.

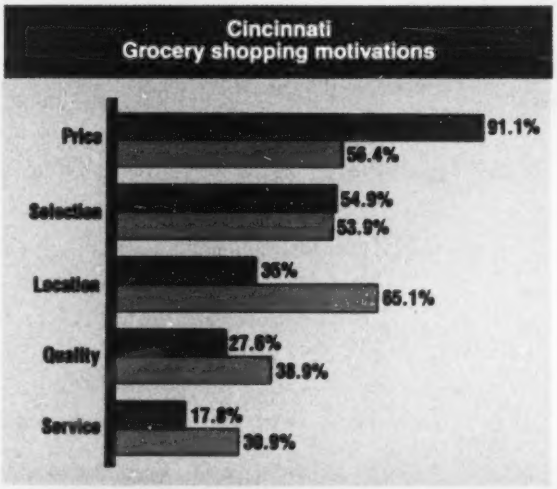
Meijer and Meyer are not traditional hypermarkets. They provide a wide range of product, unlike Biggs which adheres to a more typical European approach of limited assortments.

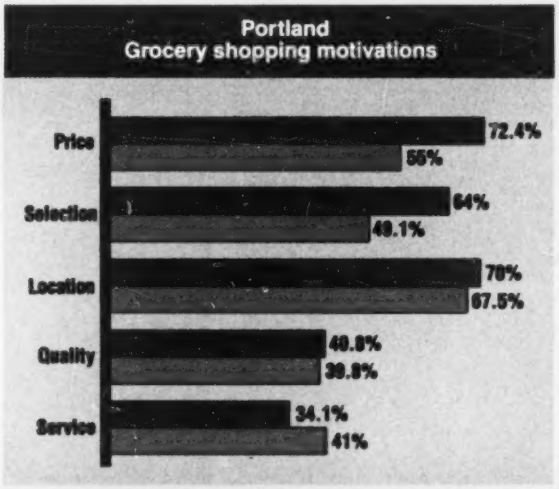
This difference shows up in consumer research by Impact Resources of Columbus, Ohio. It found that grocery shoppers preferred Meijer's and Meyer's broader selections compared to conventional stores. Biggs' selection did not compare as favorably.

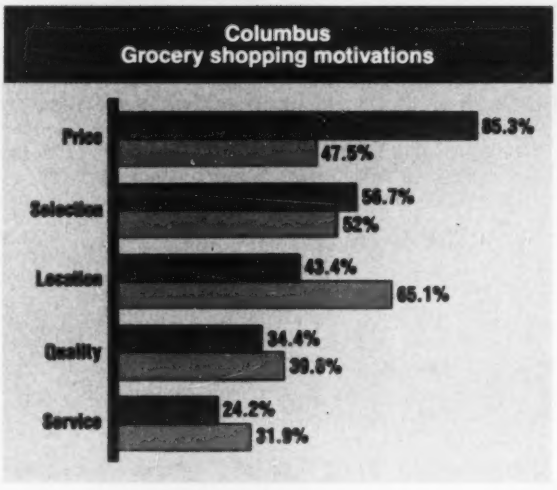
For all markets studied, price is the major drawing card. The hypermarkets do not win the location, quality or service comparisons.

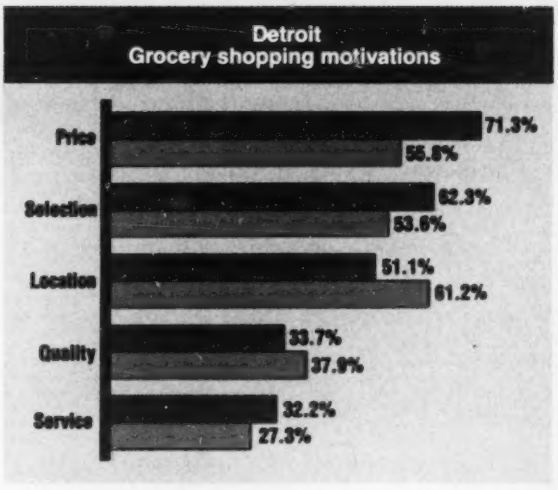
Overall preferences for hypermarkets are: Columbus, 7.4%; Cincinnati, 11.2%, Detroit, 6.6%; and Portland, 17.1%. Conventional supermarkets garnered the following preferences: Columbus, 53%; Cincinnati, 53.4%; Detroit, 48.9%; and Portland, 43.8%.

Hypermarkets are the first choice of a department store by 19.5% of Portland's Fred Meyer shoppers, 14% of Columbus Meijer shoppers, 11.1% of Biggs shoppers, and 8.5% of Detroit Meijer shoppers.









Hypermarket

Conventional grocery

Source: Impact Resources

CONSUMER SPENDING SPREE SLOWS

AUTOMOTIVE SALES SLIP, RETAIL CHAINS POST MODEST GAINS

OCTOBER SALES

(figures in billions)

Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	October'89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,528,300	+0.7	–	$23,752,270	+4.7	+2.9
K mart	2,070,631	+5.3	+2.1	19,780,570	+4.7	+1.3
Wal-Mart	2,186,000	+21.6	+8.0	17,701,000	+25.0	+11.0
Penney	1,277,000	+9.6	+6.1	10,132,000	+8.2	+6.9
Dayton Hudson	969,000	+16.2	+8.5	8,530,000	+14.6	+6.9
May	785,700	+9.3	+6.7	6,287,600	+14.6	+6.1
Woolworth	629,000	+9.3	+4.6	6,013,000	+8.0	+4.3
Melville	563,200	+12.8	+2.3	5,500,626	+12.2	+4.7
Walgreen	461,582	+14.0	+10.3	4,438,847	+11.5	+10.5
Ward	368,463	+1.0	N/R	3,337,[illegible]	+4.1	N/R
The Limited	334,000	+9.0	+6.0	3,[illegible]5,000	+13.0	+10.0
Ames	308,000	+103.3	+4.2	3,523,000	+121.3	+3.4
Carter Hawley Hale	283,000	+1.5	+4.6	1,878,700	+5.7	+5.3
Mercantile	170,700	−0.5	−1.0	1,534,487	+2.7	+2.0
Circuit City	157,000	+21.0	+2.0	N/R	N/R	N/R
Hills	151,000	+8.5	−7.1	1,354,651	+23.0	+1.4
Rose's	106,035	+2.6	−2.7	1,020,105	+2.7	−2.6
The Gap	126,000	+24.0	+13.0	1,041,000	+26.0	+15.0
Neiman-Marcus Group	131,000	+10.4	+7.6	N/R	N/R	N/R
Jamesway	89,532	−9.2	−3.0	597,587	+9.9	+8.0
Ross	47,000	+15.0	+7.0	500,000	+18.0	+11.0
Dollar General	57,200	−1.1	−3.1	420,100	N/R	N/R
Best Buy	48,000	+8.0	+5.0	285,000	−9.5	N/R
Gottschalks	16,200	+10.5	+9.1	143,000	+16.3	+5.0
Claire's	11,540	+33.0	+17.0	111,900	+46.0	+29.0

N/R = not reported Source: Company reports

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